

14.0 ECONOMIC DEVELOPMENT ELEMENT

The *Economic Development Element* was included as a new element of the **Sedona Community Plan** as part of the 1998 Community Plan Update. This element is presented in the following sections:

- 14.1 Key Issues
- 14.2 Vision, Values, Goals
- 14.3 Recommendations
- 14.4 Action Program



Overview

The original, adopted Community Plan recommended, as an implementation action, the formulation of an *Economic Development Plan Element* to establish a community consensus on economic development in Sedona and to target appropriate resources toward the recommended strategies.

In 1995, the “Sedona Focused Future Strategic Plan for Economic Development” was completed. This program “represents a concerted community effort to develop strategies for diversifying the local economy, creating wealth for all residents and ensuring the implementation of Sedona’s vision, goals and objectives. It is economic development on Sedona’s terms in concert with the community’s quality of life.” The *Economic Development Element* of the **Sedona Community Plan** includes the “Action Plan Summary” of the Focused Future Report. The report, in its entirety, is found in the Community Plan supplement.

The Focused Future program was funded by Arizona Public Service (APS) company and was sponsored locally by the City of Sedona, Sedona Chamber of Commerce and the Sedona Business Association (SBA). “Partners for Strategic Action (PSA), an Arizona-based strategic planning consulting firm, was retained by APS to provide technical consulting expertise to facilitate the Focused Future strategic planning process. PSA, working with an “Action Team” of local citizens and City Council representation, also produced the final plan.

In December 1993, the 13-member “Action Team” was appointed by the Sedona City Council and ratified by the Chamber and SBA. A 13-member Technical Advisory Committee (TAC) was also formed with representation from the City of Sedona, Chamber, USFS, Northern Arizona Council of Governments (NACOG), Yavapai and Coconino Community College Small Business Development Centers and the media.

The Action Team defined Economic Development in Sedona as follows:

“Economic Development in Sedona is the sustained creation of community wealth through the retention, expansion and development of diversified business opportunities that are compatible with the environment and community values, while enriching the quality of life.”

The Sedona Focused Future Plan addresses three basic questions:

1. What are the community’s goals for economic development?
2. How should Sedona organize to achieve these goals?
3. What strategies are appropriate to ensure long-term stability and growth of the economy?

The Sedona Focused Future program is further oriented toward the achievement of the following objectives:

\$ To guide local planning and decision making relative to the future development of the community

- \$ To provide a road map for Sedona's economic future
- \$ To serve as a benchmark for monitoring the progress of the community as it moves into the 21st century.

The goal of Sedona's Focused Future Plan is to eliminate uncontrolled growth. In fact, successful economic development can be done with zero or even negative population growth by strengthening and expanding the existing economic base. However, the same elements that drew the current visitors to the community will continue to draw future visitors and residents. This plan was created with the recognition that growth will occur. The strategies developed are designed to manage that growth to maintain Sedona's quality of life.

14.1 KEY ISSUES

Sedona is choosing to define economic development in terms of economic diversification and prosperity. The flow of money in a community occurs primarily in the following ways: 1) through basic businesses, such as tourism, creation of art works, manufacturing, which bring new money into the local economy; and 2) through non-basic activities, such as resident retail trade and local services that re-circulate money that is already in the community. For a community to have long-term sustained economic prosperity, both basic and non-basic activities must be present.

A. Business Location Factors

1. Access to Market - Sedona is located within a two-hour drive of the nation's eighth largest city and ninth busiest airport. However, the area's present transportation system does not have the capacity to handle substantial amounts of commercial traffic. Advances in the field of telecommunications, together with the trend of the US economy moving away from manufacturing and towards the service and information sectors, mitigate Sedona's position in regard to access to market.
2. Access to Resources - Sedona has few opportunities for traditional resource-based business development. While forestry production and mining are prevalent throughout the state, they are neither supported nor promoted in the Sedona area. Access and proximity to raw materials are not, therefore, critical locational factors pertinent to Sedona's economy.
3. Access to Labor - Demographically, Sedona has one of the most highly educated and skilled labor forces in the state. However, many of the jobs in the local economy neither require nor take advantage of the range of labor force skills available in the community. An analysis of the community suggests a high degree of underemployment, most likely attributable to a preference on the part of many to live in the area. There is also a very large population of talented and highly educated retired or semi-retired citizens who might be tempted to re-enter the work-force for the right opportunity. Finally, because of the quality of life Sedona's residents enjoy, it should not be difficult to recruit employees with the necessary skills for practically any type of business.
4. Land/Building Market - the relative scarcity of large parcels of undeveloped, privately-owned land in Sedona, in conjunction with the high cost of the land that is available, influences the feasibility of businesses moving to or sometimes staying in Sedona. However, for a business that really wants to be in Sedona, land costs are a small part of the equation. Because of the high business turnover rate, there is usually an availability of small retail buildings, but larger commercial or industrial sites are scarce to non-existent.

5. Access to Capital - The availability of financing for businesses start-ups and expansions is important to businesses from a location selection standpoint. Like most rural Arizona communities, Sedona businesses have had few options for raising capital. The reluctance of banks and other financial institutions to invest in small, non-metropolitan areas is not something new. However, there is a trend toward funds being made available to smaller communities and businesses. There are some new programs and mandates which could loosen up capital if Sedona takes the proper steps to get into a position to take advantage of them.
6. Business Climate - The business climate in Sedona is quite fertile. Retail sales are at an all time high. The community is supportive of many of the local businesses, but the reception of new or different kinds of businesses is mixed. There is a high failure rate of small businesses, but this is usually due to poor management or inaccurate market studies rather than a stagnant business climate.
7. Quality of Life - This is an important factor to many new and growing industries or entrepreneurs who have the ability to locate anywhere. Quality of life encompasses a broad range of issues including the availability of housing, quality of education, infrastructure, population, traffic, crime, climate, cultural opportunities, and more. Sedona rates very high in this category. It is the sole reason many of the residents live in the area. The level of arts and cultural activities, quality shopping, restaurants, and other amenities are very high for a community of this size. Traffic and other infrastructure issues will need to be addressed to maintain and enhance Sedona's present quality of life.

B. Economic Performance

The state of Sedona's economy is generally good. While experiencing significant population growth between 1980 and 1991 the civilian work force in Sedona grew a little less during the same period. This would seem to indicate that the economy is not providing the jobs necessary to support the population, but this is not really the case. Jobs are being created, but many are filled with individuals who live outside of Sedona. From 1980 to 1999, the unemployment rate declined from 5.3 percent to 1.8 percent. The unemployment rate was 2.8% in 2000. Since the historic civilian work force growth did not keep up with population growth and unemployment has been dropping, it indicates that a sizeable percentage of new citizens chose not to enter the work force. Due to the attractiveness of Sedona as a retirement area, this trend should be expected to continue.

Job creation alone does not indicate a healthy economic environment. It must be asked, "Are these jobs paying enough to afford a majority of the workers a good quality of life in the community?" Statistics would say no. In 2000, Sedona's median household income was \$44,042 which was 8 percent above the State of Arizona. This means that half of the households earn this amount or less. The median price of a single-family home in Sedona is about twice the National average. This wide disparity of figures dramatically illustrates that many of Sedona's work force may not be able to afford to live in the community. The result is that Sedona is not realizing the full economic impact of creating jobs. People commute to Sedona to

work which creates a burden on the road system and other infrastructure, then in many cases, go somewhere else to live, shop, and spend their money. Issues such as more affordable housing and higher paying jobs must be addressed.

In 1999, the average household income (\$53,521) and per capita income (\$31,350) in Sedona were both very strong in relation to the State of Arizona (+4% and +37%, respectively). These figures show an overall wealth in the community, which should remain strong in light of the affluent retirement segment of the community.

C. Business Vitality

The 1995 Sedona Focused Future Strategic Plan for Economic Development indicated that Sedona's key economic indicators are very strong. Postal receipts, a direct reflection of business activity, are increasing on an annual basis. Net Assessed Property Valuation has also been increasing consistently. Sales tax revenues have risen 5.1 percent to \$9,378,275 for fiscal year 2001-2002 over the \$8,900,530 posted in fiscal year 2000-2001.

Sedona's basic sector economy is heavily dependent on tourism. The non-basic sector economic activity, however, is affected by the large number of people who work but do not live in Sedona and the amount of people making purchases out-of-town. Although the revenue trends are positive, more revenues must be generated to address the infrastructure problems that the community faces. Dealing with retail leakage and employees who live outside the community, as well as continued business and tourism development, will help increase necessary future revenues.

Sedona has been wrestling with pro-growth/anti-growth issues for quite some time. Outside investment dollars are attracted by a positive business climate, both political and economic. The physical environment of Sedona provides a tremendous opportunity for business and economic development. The development of the visitor hospitality and experience industry is critical since the inflow of outside dollars (basic activities) not only creates jobs and growth, but contributes tax revenues to pay for the amenities and services that residents enjoy. The outlook for tourism is bright. The Chamber Visitor Center continues to show a substantial increase in the number of visitors to its facility and phone inquiries received. The Chamber recently implemented an additional service by establishing an internet website further increasing the number of visitor contacts. The total number of contacts recorded by the Chamber increased from 612,126 in 1999 to 748,096 in 2000, over 18 percent. *The challenge is to maintain the quality of the visitor experience so visitors stay longer and spend more money in the community.* Significant growth in lodging development (including timeshares) between 1994 and 1998 is one indicator that this is occurring.

D. Global Trends

Trend #1 - Technology is changing more rapidly.

Technology advances are occurring so rapidly that to stay competitive, the US, Arizona, and Sedona must understand these changes. To achieve economic success, communities must work closely with local

businesses to encourage innovation and adapt technological changes that will make the community a better place. The Sedona area must be plugged into the technological system and be in a position to take advantage of these changes. Continual evaluation by the community of impacts of the technological changes and trends are needed.

Today, many businesses are highly dependent on an effective telecommunication system. Reliability is essential. Due to old, outdated equipment, and reluctance on the part of utility providers to systematically invest in equipment upgrades in the community, Sedona has had difficulty ensuring a consistently dependable power service, a critical need for advanced telecommunications.

While technological changes have made working at home a possibility, the shift to the service economy, the growth of consulting, and the increased number of women in the work force have made the trend a reality.

Trend #2 - Global competition is increasing.

The Sedona tourism industry has been positively impacted by global competition. According to the US Travel and Tourism Administration, international visitors travel to more destinations, use more paid accommodations, more rental cars, and spend six times as much as domestic travelers. However, like other industries competing for revenues, the tourism industry also faces global competition. The community has also been recognized for its New Age attractions. International interest in holistic medicine may present opportunities to take advantage of this trend and establish an international niche.

There is no reason that Sedona businesses, especially service businesses, cannot compete on an international level. It is important to recognize that small businesses make up one fourth of all US exporters.

Trend #3 - The basis for new business competition is changing.

Surveys by the Harvard Business School point out that the US firms that succeed today produce high-quality, specialized products that meet specific market demands, or are very flexible in responding to changes in demand. Customers are willing to pay more for their products if they meet special needs. It is important to remember, however, that customer service must be the first priority for successful businesses.

Providing such resources as skilled workers, technology that can help them make specialized products more efficiently, money to finance marketing efforts and new technologies, and advanced communication systems are now more important than simply providing low costs. Communities that succeed in the future will be those that assist businesses in meeting their needs to compete successfully on these new terms.

Trend #4 - Human resources are increasingly critical to economic development.

In making decisions about where to invest in new facilities, or in expanding capacity, businesses will look first at the quality of an area's education system and the skills of its work force. Education opportunities for all is Sedona's best investment.

Social and economic issues are more closely linked. Many concerns that were frequently thought to be “social” issues - health care, affordable housing, education, childcare, poverty - are now critical to an area’s economic success because they directly affect the quality of human resources.

Trend #5 - New and existing firms are the key sources of new jobs.

There is an increasing importance of small enterprises and start ups as a source of growth in the economy. David Birch, of MIT estimates that 88 out of every 100 new jobs come from small employers. In fact, between 1.2 and 1.5 million jobs are created each year by small businesses. Sedona, like many rural communities seeking to create new jobs, needs to focus efforts not only on attracting new companies, but on assisting local firms to prosper and expand, and on supporting new entrepreneurs. Rural economic development strategies must focus on business expansion and retention of local firms. Sedona has many well established small businesses that have been operating in the area for years. At the same time, it has a high turnover of new small businesses. The high turnover rate may be the result of overly optimistic entrepreneurs lured by the red rocks who have not done the proper planning, are undercapitalized, or may not have the necessary experience to be successful. Regardless, small businesses provide the majority of local jobs and wealth within the community, an essential aspect of ensuring a strong local economy.

Trend #6 - The structure of our economy is changing.

Communities are relying less and less on manufacturing and farming jobs. The Sedona area has never been dependent on these types of businesses. From a development perspective, what is important is not whether the new industry that replaces these jobs is manufacturing industry, but whether it creates new wealth by selling goods or services outside the community (basic activity), and whether it creates good paying jobs. Even service firms can perform these economic functions.

Manufacturing and service activities are increasingly closely linked. For example, many of the artists within Sedona are involved in forms of manufacturing, such as bronze sculpting, with subsequent sales of their products throughout the country and throughout the world.

The United States economy is already dominated by the service sector. Sedona also has a thriving service-oriented economy. Service and information companies are in the forefront of innovation. Sedona needs to focus on maintaining and supporting the growing service sector within the area.

Trend #7 - Economic success in urban areas.

While urban areas have generally done well, their ability to address the social and quality of life challenges they face will be critical to their future economic health. Quality of life, therefore, is one area where many rural communities, like Sedona, have an advantage. Maintaining a stable community, or at the very least slowing decline, may be appropriate development goals for some communities. Rural areas may find success by either linking their economies more closely to those of nearby urban areas, or by looking for ways to recreate some of the conditions that have led to the success in urban areas - by developing areas of specialization, or finding ways to provide more efficient access to information.

Like the majority of rural communities in Arizona, the success or failure of the urban areas will impact Sedona. When business officials come to Arizona looking at the state to locate their business, they may visit many different locations but they almost always ask about Sedona to visit with their family. The success of the state's urban areas brings recognition to the state as a whole, which in turn reflects positively on all communities in Arizona.

Trend #8 - Regional cooperation is increasingly more important.

Sedona cannot be all things to all people. It must, therefore, depend on surrounding communities to assist in meeting the broad range of needs of its residents. By working together within the Verde Valley region, communities can avoid duplication of efforts and ensure that the needs of the residents within the region are met.

Trend #9 - The population is aging.

Older Americans are the fastest growing and most financially stable demographic group and will probably emerge as the most successful new entrepreneurs in coming years. Companies that provide service to older residents - health care, recreation, and living assistance services represent growing market opportunities brought about by the general aging of our population. Some of our strongest and most rapidly growing industrial firms are pharmaceutical manufacturers and health care providers. Changing social patterns also create new needs. An aging population will mean growing service and care needs for those who cannot care for themselves. This is particularly true for those whose families have left the community to find jobs elsewhere.

The national trend of an aging population may create a labor shortage in coming years, particularly in entry level jobs across the country.

Trend #10 - People are migrating from the big city to small towns.

While Sedona is experiencing a dramatic immigration of people from larger cities, it is important to recognize that this trend does not imply return to the small town of yesterday. The successful small town in the future will be vastly different than the one in the past. Those moving in will not have been there before, and are not interested in returning to the social, political, or economic character of the small town described by Sinclair Lewis or William Faulkner. Those choosing to live in small towns, whether they are moving in or simply staying, will have higher incomes, more education, and a more comprehensive view of the world than most small town residents of the past.

The motivations for choosing a small town to live in will differ as well. There should be considerable optimism for the future of some small towns because of the convergence of four elements:

- \$ People want to live in small towns
- \$ People for the first time in decades are now able to live in small towns
- \$ It is an increasingly rational, economic act to choose those small towns

\$ Many of the forces that caused the depopulation of small towns, are quickly disappearing

Rural communities like Sedona should track this trend to see if it continues and grows. One of the keys to exploiting this trend will be to develop the necessary telecommunication infrastructure to offset some of the disadvantages rural areas face in terms of distances and population density.

14.2 VISIONS, VALUES AND GOALS

A. Community Vision

Community visioning is not a foreign concept to the City of Sedona. Early in the City's history, the community developed a Vision Statement for the **Sedona Community Plan**. The Action Team built upon that statement to define more specifically an economic vision for the community through the Focused Future program. A careful review of the community's internal and external image, as well as an identification of community values, supported the evolving process.

The Action Team reviewed existing statements and received comments from many different individuals. The resultant Vision Statement further defines the community's vision for economic growth and diversification. The statement complements the vision statement included in the **Sedona Community Plan**.

The resulting Vision Statement agreed upon by the Action Team broadly characterizes how the community may wish to view itself as it moves into the 21st century.

Sedona is...A community that values and preserves its scenic beauty and provides a variety of intellectual and educational opportunities to its diverse population. Sedona is proud of its ability to sustain a vibrant and diversified economy, while maintaining a high quality of life for its residents and providing an exceptional visitor experience.

B. Community Values

A prerequisite to effective growth management is a clear understanding of what the community's citizens value. Community values - the non-negotiable principles or standards that the community wishes to maintain - must be acknowledged and honored to ensure that development and change occur in accordance with the community vision. The following is an overview of values critical to the community's successful achievement of its vision:

- \$ Harmony with our environment, honoring the earth, keeping it litter free, not over building, and living in peace with our neighbors
- \$ Freedom from over-regulation or fears for our safety and welfare
- \$ Free choice
- \$ Working together for the common good
- \$ Embracing visitors as welcomed friends
- \$ Improvement of the built environment (buildings, roads, etc.) not only from an aesthetic perspective but a practical one as well
- \$ Recognition that we live in a unique and fragile environment worthy of careful stewardship
- \$ A willingness to volunteer, contribute to the community, and be of service to each other
- \$ An approach to city government that is honest, dependable, inventive, creative, and ethical

14.3 RECOMMENDATIONS

The following goals were formulated in the Sedona Focused Future Strategic Plan:

GOALS

- \$ Establish an on-going, effective local program and public/private partnership responsible for economic development in Sedona.
- \$ Provide an appealing visitor experience sensitive to visitor and community needs and conducive to extended stays.
- \$ Support and promote a thriving arts and culture industry within the Sedona area.
- \$ Develop a strong Business Services and Information (BS/I) industry within the Sedona area that is compatible with Sedona's unique quality of life and creates higher paying skilled jobs.
- \$ Strengthen and expand the local health care industry, recruit supportive health and biomedical businesses, and recruit appropriate research and development facilities in the Sedona area.
- \$ Protect and enhance the Sedona area's unique quality of life.
- \$ Improve the information and communication infrastructure within the Sedona area which is crucial for residents and businesses.
- \$ Identify the technological infrastructure needed to support the existing and new businesses that will use it by June 1995 and to implement its installation by 1996.
- \$ Bring Sedona area's infrastructure up to the standard that meets current and future residents and business needs.
- \$ Ensure that the Sedona area remains competitive from a tax and regulation standpoint.
- \$ Provide a quality workforce that meets the managerial, technical, administrative, professional, entrepreneurial, entry-level and labor needs of the local economy.
- \$ Ensure that local existing and new businesses have access to capital for development and expansion.

14.4 ACTION PROGRAM

The following Action Program summary is an outline of the strategies listed in the Focused Future Strategic Plan for the City of Sedona. The strategies are divided into short term, mid term, and long term. (see Focused Future Report for full-range of action strategies).

CITY OF SEDONA ACTION STRATEGIES

Short Term

- \$ Complete a public awareness program on the substantive provisions and recommendations of the Sedona Focused Future Strategic Plan.
- \$ Working in concert, adopt and annually update the Sedona Focused Future Strategic Plan.
- \$ Interface with other regional efforts involved in economic development to maximize scarce financial and human resources and eliminate duplication.
- \$ Maintain close coordination and regularly communicate on economic development issues.
- \$ Maintain an effective public information program on economic development issues and activities.
- \$ Continue the systematic implementation of Business Retention and Expansion Study recommendations.
- \$ Annually develop and fund an economic development work program(s) that work to implement the Plan.
- \$ Support current efforts to initiate community oriented policing in Sedona so as to incorporate a greater degree of active citizen involvement and assistance to the Sedona Police Department in their continuing efforts to improve public safety within the community.
- \$ Support efforts to broaden the availability of housing in the community commensurate with real earning opportunities for those who live and work in Sedona.
- \$ Support office facilities locally to accommodate local access to Coconino and Yavapai County Community College Small Business Development Centers to, among other things, provide business planning, personnel development and management training, and customer service skill development programs aimed at ensuring the maintenance of desirable job opportunities in the community.

- \$ Support specific planning for Uptown and West Sedona with the emphasis on increasing walkways for the residents and visitors and identifying alternative modes of transportation. The Specific Area Plans should take into consideration the Focused Future Plan.
- \$ Community Development Department should divide the Uptown and West Sedona Plans into segments for community service organizations to take on as funding projects.
- \$ With support from the Chamber of Commerce, SBA, Cluster Groups, etc. shall explore the potential merits and detriments of establishment of a “board and booze” tax as a means of supplementing funds currently available for quality of life and economic development efforts in our community.
- \$ Convene periodic town meetings to help address major issues facing the community and to forge broad based consensus on issues.
- \$ Arts and Culture Department should take the lead in establishing the Arts and Culture (AC) Cluster Group. Group members will ideally be representatives of related organizations and other necessary entities. Once the AC Cluster Group has been assembled and organized, its primary responsibilities will be to address the strategies developed.

Mid Term

- \$ Incorporate a business inventory and community-provided economic data and updates into its long-range development and maintenance of a computerized data base system.
- \$ Revisit the City and County Land Use Plans to ensure allocation of sufficient land to accommodate the needs of the Business Services and Information Cluster.
- \$ In cooperation with Sedona Recycles, update the city's solid waste and recycling plans.
- \$ Through the Verde Watershed Association, take a proactive approach to creek and ground water protection with concern about water quantity and quality.
- \$ Community Development Department should encourage future developments to include creekside walkway development.
- \$ Continue to implement the policy of having utility lines moved underground.
- \$ Support the implementation of the Plan’s *Housing Element*.
- \$ Utilizing the GIS system, the Community Development Department shall work with the Chamber of Commerce Economic Development Committee and the Sedona Board of Realtors to compile and

maintain a land and building inventory. A land and building needs assessment will be completed as well as a review of the viability of the current land use plan in regard to anticipated needs.

- \$ Work cooperatively with SBDCs to develop a "Doing Business in Sedona" brochure that outlines how to start a business in Sedona and outlines the various permits required. Once completed, distribute brochures to the Arizona Business Connection.

Long Term

- \$ Establish and maintain as a priority a coordinated approach to area transportation system improvements through the comprehensive assessment of existing area traffic conditions.
- \$ In cooperation with the APS electric vehicle program, work with the Verde Valley Transportation Association to establish a public transportation system supported by large employers such as, Los Abrigados, Kachina Point, and any other appropriate entities.
- \$ Working with other agencies, develop alternate routes for circulating traffic throughout the community.
- \$ Support a community volunteer corps to assist the Forest Service in the periodic monitoring of area environmental impacts and the physical provision of remedial resource management measures necessary to maintain established standards.
- \$ Continue expansion of the wastewater treatment plant until all of the city is served.